

CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTER

30 November 1978

MEMORANDUM

VENEZUELA: ELECTION '78

Summary

The Democratic Action and the Social Christian parties, the two major political forces that have run Venezuela since the overthrow of the Perez Jimenez dictatorship in 1958, are again jockeying for position for the 3 December general elections. The Democratic Action's candidate, Luis Pinerua Ordaz, is holding a narrow lead in opinion polls and seems the likely winner over his Social Christian opponent, Luis Herrera Campins. Although strong competitors, the two left-of-center parties tend to have similar outlooks on basic questions of international policy, economic development and national security; both are concerned by signs of growing public impatience with the inability of the major parties to solve many glaring problems, such as a shortage of housing, underemployment, and badly deficient public services. This frustration is particularly intense among the lowest income groups, which have yet to receive what they consider their fair share of 20 years of democratic rule and economic well-being.

Independent Causa Comun candidate, Diego Arria, is making a surprisingly strong showing in opinion polls. Arria has concentrated his efforts on a media-oriented

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RP M 78-10448

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campaign to make up what he lacks in party organization. He hopes to win support from the large independent bloc as well as from disaffected members of both major parties. If he attains 12 to 15 percent of the vote, he will score a major success and will play a significant role in the political system.

The governing Democratic Action Party's handling of both the nationalized oil industry and foreign companies has come in for sporadic criticism, but no important US interests are involved in this election. In fact, none would be put in jeopardy by the election of either of the major contenders. US-Venezuelan relations, however, will undergo a subtle change whichever administration takes over next March. Issues such as trade restrictions and technology transfer will assume a greater importance as Venezuela industrializes. The major differences in approach will be a reduction in the amount of time and resources directed toward foreign policy concerns as the new administration turns inward to deal with the nation's economic problems. The highly personalistic style of governing that characterized the presidency of Carlos Andres Perez will be substantially modified when a new president takes office on 13 March 1979.

The Setting

More than 6 million Venezuelans will vote on Sunday, 3 December, to elect a new chief executive, the bi-cameral congress, and state legislatures that will govern the country for the next five years. Of the 1.5 million new electors--voting is obligatory--approximately 1.4 million will be 18 to 22 years old. The new government faces tough economic decisions as well as the need to implement social and political reforms that will enable Venezuela to measure up to its position as one of Latin America's wealthiest and most economically dynamic countries.

The ten candidates entered in the presidential race represent a broad spectrum of political views from far left to right of center, but only two have any chance to win: Luis Pinerua Ordaz, representing the governing Democratic Action Party (AD), and Luis Herrera Campins, the standard-bearer of the opposition Social Christian (COPEI) party. A

third candidate, independent Diego Arria, is apparently having some success with an increasingly jaded electorate, but at most will play a spoiler role, denying victory to one of the major candidates. The race is extremely close, and with 15 to 18 percent of the electorate still undecided, the result could well hang on a single unanticipated event--a water shortage in Caracas, for example, or a political gaffe.

Neither candidate has developed strong or partisan backing within his own party, or has captured the imagination of the electorate--despite almost 17 months of solid electioneering and a record expenditure of funds by both major parties. If current trends continue, neither candidate will duplicate President Perez' massive victory in 1973, when he beat his Social Christian opponent by 12 percentage points and 600,000 votes. Perez' popularity enabled the Democratic Action Party to win absolute majorities in both legislative chambers, an unprecedented event in Venezuela.

Polls have offered few clues to explain the voters' mood, which is both apathetic and disturbed--content with economic well-being, yet unhappy not to have benefited more from the past five years of massive oil revenues and rapid economic growth. This basic dichotomy is evident in the general reaction to Pinerua and Herrera. While both are regarded as honest, free from the taint of corruption, and leading unblemished private lives, there is a general feeling that neither possesses the qualities of leadership that Venezuela will need in the coming five years nor the ability to solve the many difficult economic and political problems that the new administration must address. Voters are daily reminded by the government information service that Venezuelans have never had it so good--indeed there is full employment for those with technical skills--but they are also constantly made aware of the hollowness of this assertion by recurring breakdowns in essential public services, sporadic food and water shortages, high inflation, and a lack of housing that forces the average worker out of the market and drives him into the barrios surrounding Venezuela's major cities.

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There is also belated--but growing--public recognition that Venezuela is facing its first painful economic choices since the OPEC oil price boom of 1973-1974, but no great pressure has been brought on the government to do anything about it. The general feeling is that there is still time for Venezuelans to enjoy themselves before the party ends. Certainly, its economic problems are serious; uncontrolled government spending, continuing high inflation, and a large public debt will cause trouble in the months ahead. Rapidly rising domestic consumption has eaten up the oil bonanza in just four years and will lead to a current account deficit of \$5 billion in 1979, even if Venezuela can persuade other OPEC countries to raise oil prices another 10 percent in December.

Decreased oil sales have aggravated the economic picture during the current election campaign. President Perez and the governing Democratic Action Party have been accused of squandering the nation's oil windfall, a charge that is not totally justified. Perez has, however, purposely avoided necessary but politically unpopular austerity measures that would damage his party's election chances. Many expect that soon after the election, regardless of who wins, Perez will bite the bullet and enact a number of measures aimed at tightening imports and revaluing the bolivar, which has been tied to the declining fortunes of the US dollar.

Despite the growing frustration of the electorate, the problem has not reached proportions that endanger traditional stability; the frustration seems limited to certain income groups. Nevertheless, there is a general unease and irritation that the two major parties have not managed the country better over the past 20 years. This has led to sporadic acts of violence in Caracas and other major cities, especially when public services have failed. There is a common impression that only the rich get richer. Indeed, even those Venezuelans who have benefited from the oil-based economic boom would probably agree that they are better off now than five years ago. But they are in an economic minority and increasingly eschew an active role in the political system, preferring to devote their energies to making money.

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Contributing to this attitude is a disenchantment with a political system that to some no longer seems appropriate for Venezuela. The semi-hermetic system in which all important decisions are made by the party's "caudillo" or at most by a few aging leaders--Democratic Action's Romulo Betancourt or Social Christian Rafael Caldera--have driven some aspiring leaders out of politics. In fact, one respected Venezuelan politician suggests that the party leaders themselves may be unknowingly contributing to their ultimate demise. He particularly scorns the increasing use of American-style political campaigning that stresses the candidate's image and plays down the party and its program.

In Venezuela, the political structure has traditionally followed the European model of political parties based on party discipline and ideology. Even the minority leftist parties, normally the most ideological and dogmatic groups in Venezuela, are now pushing their candidate's image--looking for identification and legitimacy through the candidate rather than through the party and its program.

The Campaign

Both Pinerua and Herrera have adopted essentially similar programs that contain a heavy dose of populism. All candidates emphasize the provision of basic services--eschewing the international activism that has characterized the Perez administration. Pinerua has stressed that he will push forward with President Perez' programs, but he has also qualified his promise by restricting it to "the extent the programs are feasible." At the same time, he has directed thinly veiled criticism at the present administration's failure to resolve such domestic problems as crime, water shortages, and housing while concentrating on international matters with little relevance to most Venezuelans. There is a consensus, as well, that Perez' economic development program was fundamentally correct but that it could have been administered more efficiently and with less corruption. There is a feeling, also, that the next administration must make a trade off between some of the ambitious projects undertaken by Perez and the availability of financial resources. Most candidates admit that the new government will not be able to undertake any additional industrial development projects and that a prolonged period of austerity is a very real possibility.

The opposition parties--even the AD's Pinerua--are stressing the importance of the rule of law and of prior consultation, a disparagement of Perez for his overuse of decree powers. Most candidates except those on the extreme left also foresee a need for a reduction of the state's intervention in the economy and a correspondingly greater role for private enterprise, a factor that should spur additional foreign investment. Although covetously guarding natural resources for national industry, both major parties are trying to lure foreign investors willing to supply innovative technology, provide export markets, expand employment opportunities outside of the country's capital-intensive extractive industries, or locate in remote undeveloped regions of the interior.

Although both major candidates have issued economic policy statements promising to reduce expenditures over the next five years, their programs, in fact, seem likely to require additional financing from a treasury already besieged by growing foreign debt commitments, which now total almost \$13 billion. Debt service comprised only six percent of the total budget in 1970; by 1979 it is budgeted at 18 percent and will remain high for the next several years. Cost overruns on government projects could send the government looking for fresh foreign financing to balance the budget. Complicating this picture for economic planners in the new administration is the fact that a number of the largely autonomous government agencies are also accumulating large foreign debts.

Some signs of responsibility--usually lacking in Venezuelan political campaigns--have been demonstrated by both Pinerua and Herrera in their approach to the nationalized petroleum industry, Venezuela's major source of revenue. Neither suggests that his administration would tamper with the giant national oil company, and each has given indications that present policies will be continued. The oil industry--sensitive that the government will view it as a cure-all for economic ailments--has been particularly concerned that the industry may be subjected to political pressures. The possibility that the highly respected head of the state oil company, retired General Rafael Alfonzo Ravard, may continue in that post regardless of the election results

has calmed fears that the company will become more closely tied to its politically oriented parent, the Ministry of Energy and Mines. Unlike most other government entities, the state oil company under Alfonzo's tight control has remained free of political interference.

Complicating what would normally be a race between the two major parties, which command 75 to 80 percent of the vote, is the "wild card" candidacy of Diego Arria, who is running under the Causa Comun--Common Cause--banner. Arria--a former governor of the Federal District of Caracas, a minister of information in the Perez administration, and a campaign adviser to Perez in the 1973 election--announced his candidacy in May. Since then, he has risen steadily in opinion polls to his present 10 to 12 percent and may threaten the Marxist Movement Toward Socialism for third place in the presidential returns.

Observers credit Arria's rapid rise to his record as governor, his high-profile public relations effort, and his unique anti-party media campaign, which has caught the attention of the electorate. Arria's appeal is largely to the disaffected voters who are generally turned off by both major parties, and to whom the extreme left has no appeal. In past elections, they comprised 15 to 20 percent of the vote but they split their ballots among several rival parties. By their nature, they are diverse economically, socially, and politically. They include a sizable group of conservatives--people who believe both the Democratic Action and Social Christian movements are too leftist and put too much emphasis on state intervention. These voters want the government to get out of business and believe that with a free play of market forces and of private initiative, the country would be a lot better off. Also included in this sector are people who think that the political parties are a curse; they look back to the days when Venezuela had strong leaders and the parties did not exist. In short, the people for whom Diego Arria has appeal are essentially anti-establishment and anti-party. They believe that Arria--a man with the right ideas and the right character--will somehow lead the country out of the sticky bog of government inefficiency.

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If Arria can transform his strength in the opinion polls into votes, his role in politics for the next few years will be a key one. The major political leaders play down the Arria candidacy, but are concerned over his potential impact in a tight election. The Democratic Action hierarchy particularly is worried that many independent supporters of President Perez, as well as rank-and-file party members in the urban areas, will vote for Arria because his image and policies resemble those of Perez. The Social Christians, for their part, see Arria as potentially drawing votes from the discontented and the independents.

Both interpretations may be on the mark. A statistical breakdown of recent opinion polls indicates that Arria is having a major impact in Caracas and other industrial cities where he is focusing his campaign on the nonideological anti-status quo electorate, which traditionally has voted against the party in power. This amorphous bloc coalesces every five years and has been the backbone of the legislative representation for the minority parties. Because of his appeal, political observers suggest that Arria is likely to win a sizable bloc of supporters within the Congress, which will force the major parties to deal with him.

Election Aftermath

Regardless of the outcome, the winner will have to negotiate a "guanabana," or political coalition with his major rivals. This process is likely to prove both time-consuming and difficult. The problem will be complicated by some major changes in the political spectrum. The continuing domination of the political scene by both major parties will almost certainly lead to the disappearance of minor parties, some of which were once formidable political forces, but now have been debilitated by ideological splits and an aging party leadership. The decline of caudillismo as a political institution when Betancourt, Caldera and other party founders pass from the scene is likely to be a major feature of the Venezuelan political system over the next five to ten years. In fact, the intra-party factionalism that has been papered over during the campaign is likely to reappear.

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In addition to these problems, a power struggle will take place in both major parties regardless of who wins on 3 December. If Pinerua should lose, President Perez will attempt to wrest control of Democratic Action from its aging founder, Romulo Betancourt; Pinerua will also be removed from any influential position. Should Pinerua win, Perez will hold to his objective, but his timing will have to be delayed. In any case, the contest will be bruising. Perez has already created a large staff and obtained facilities to foster his efforts at solidifying and enlarging his influence within the party. Betancourt has never forgiven Perez--his one-time protege--for departing from his policies and ignoring advice from the party elders. Perez cannot run for national office for ten years after he leaves the presidency, but he will not wait until 1989 to try to take over leadership of his party.

The Social Christians are no more immune from a struggle between supporters of former President Caldera and candidate Herrera. If Herrera loses the election, the party will experience the same bitter recriminations that all but paralyzed it during the first two years of the Perez administration. For the Social Christians, the struggle will be even more intense than in Democratic Action, inasmuch as they have traditionally been more ideologically hard nosed on party issues than their more pragmatic political rival.

These intra-party factionalisms and the declining influence of the party caudillos will come at a time when important economic decisions must be made. Instead, the energies of the government and the parties could be diverted to resolving partisan rather than national problems. This shift in priority will be reflected most visibly in Venezuela's changing perception of its role in international affairs and toward the US in particular.

Implication for the US

The US has not been a major issue in the campaign. No important US interests are a matter of public debate or would be put in jeopardy by the election of any leading contender. The major change will be the personality of the

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president. The highly personalistic style that characterized the Perez presidency will disappear, and with it the close personal relationship with the Carter administration. Instead, the new government will reflect both candidates' pragmatic approach. Neither Pinerua nor Herrera is experienced in, or shows any interest for, the international posturing that has characterized Perez. In addition, neither man has surrounded himself with "internationalists"--such as Perez' Minister for International Economic Affairs Manuel Perez Guerrero, and the Foreign Trade Institute's Reinaldo Figueredo. Perez Guerrero is not likely to play a central role after March, and the young cadre of experienced people who tend to reflect his Third-World line may also disappear from the stage.

Venezuela's position as a major oil supplier to the US forms the principal economic link in its relations with Washington. In turn, this has created a market for US technology, capital, and consumer goods and services, which reinforces these economic ties. The other side of the oil equation, however, demonstrates the divergence between Caracas and Washington: despite the close ties, Venezuela supports--and will continue to support--oil price increases. Not only are Venezuela's economic prosperity and ability to finance its ambitious development programs dependent on oil revenues, but Venezuelan political leaders are convinced that the international terms of trade have been historically weighted against Venezuela and the LDCs in general on all raw materials.

The main tenets of Venezuelan foreign policy--support for OPEC and the price of petroleum, championing Latin American integration and solidarity, advocacy of a new international economic order, and cordial relations with the US and the West--will continue. The main differences will be a reduction in the resources dedicated to foreign policy concerns as Venezuela turns inward to deal with economic problems. US relations will undergo a subtle change over the next five years, with the issues of trade and restrictions on technology transfer assuming greater importance as Venezuela continues to industrialize.

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OTHER REGISTERED PRESIDENTIAL CANDIDATES

Pablo Salas Castillo	(National Civic Crusade--CCN)
Hector Mujica	(Venezuelan Communist Party--PCV)
Luis Beltran Prieto Figueroa	(People's Electoral Movement--MEP)
Americo Martin	(Movement of the Revolutionary Left--MIR)
Alejandro Gomez Silva	(National Unity Front--FUN)
Leonardo Montiel	(National Renewal Movement--MORENA)
Jose Vicente Rangel	(Movement Toward Socialism--MAS)

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Approved For Release 2004/12/02 : CIA-RDP80T00634A000500010010-0

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